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To: Personnel Committee - 10 September 2013

Subject: The Living Wage

Classification: Unrestricted

Summary: This paper considers the “Living Wage” and its potential impact on the authority.

1. BACKGROUND

- 1.1 As part of last year’s pay bargaining process the Trades Unions submission included a request that the authority consider adopting the national Living Wage. The matter was discussed at Personnel Committee in January 2013 and remitted for further analysis and report in the autumn.
- 1.2 The Living Wage is an hourly rate of pay determined by the Centre for Research in Social Policy at Loughborough University and is purported to be a more accurate minimum pay level than the National Minimum Wage. Unlike the National Minimum Wage the Living Wage is entirely voluntary and has different rates for London and the rest of the country.
- 1.3 There are a number of employers who have chosen to either declare themselves “a Living Wage employer” or are committed to paying at this level. In June 2013 this included 86 councils in England and Wales and all 32 in Scotland.

2. THE LIVING WAGE

- 2.1. The Living Wage is subject to annual review and up rated in November each year. Its current value is £7.45 per hour.
- 2.2. There is a difference between adopting the benchmark of the Living Wage and making a formal declaration of being a ‘Living Wage Employer’. The latter requiring four basic criteria:
 - pay all of its own staff at least the Living Wage
 - commit to up rating pay rates within 6 months of the annual change to the Living Wage
 - demonstrate progress toward requiring any contractors to do the same
 - have a plan in place to work with any remaining contractors to get them to pay the Living Wage.

3. COMPATIBILITY WITH KENT PAY ARRANGEMENTS

- 3.1. Following the 1% increase in April 2013, the Living Wage will currently only affect those employed in Kent Range KR2. However this is likely to alter significantly if the Living Wage is increased in November. Currently an approximate headcount of 510 in the non-schools population and 2600 in schools would be impacted if the living wage was adopted. Prior to the increase in April the headcount was 680 and 5450 respectively. The immediate costs therefore are significantly less than they might be before the end of this year. Attached in Appendix 1 is an estimate of the financial impact of all those relevant staff moving to the Living Wage based upon the current position and the position prior to April 2013. The cost for non-schools this is approximately £77k and £270k and for schools approximately £340k and £1.2m per annum.
- 3.2 Whilst the formula and calculation of the Living Wage is relatively comprehensive it is purely an hourly rate of pay and as such not an assessment of the value of the "Total Reward" package offered by the authority. It would not therefore take account of the significant value of pension scheme contributions, enhancements and other terms and conditions.

4. IMPLICATIONS AND RISKS

- 4.1 The County Council has over recent years made considerable progress in eliminating low pay. KCC implemented Single Status several years ago, unlike many other authorities. More recently the County Council agreed, in December 2010, a single grade structure with a common set of terms and conditions for all staff.
- 4.2 As part of Local Pay Bargaining in 2010 the Kent Pay Range KR1 was removed to ensure all employees were paid at least KR2, currently £13,162 per year on a full time basis.
- 4.3 Full adoption of the "Living Wage Employer" status would result in our lowest level of pay being set by the Centre for Research in Social Policy. Costs therefore would not be entirely within our control.
- 4.4 Artificially altering the grade structure to accommodate the Living Wage could compromise and potentially corrupt both the structure and its associated differentials.
- 4.4 Considering our current, and potential future shape as an organisation, the impact of full status would be far more significant on our contractors. This would inevitably be reflected in the cost of the contracts and potentially manipulate the competitiveness in some markets.
- 4.5 Due to the equal pay risk across the authority and including that between schools and non schools any decision would need to be for all employees of the authority.

5. **CONCLUSION**

5.1 Whilst there is national and local pressure to adopt the Living Wage, the implications are both financial and a matter of principle.

5.2 Many others have expressed a desire to pay at this minimum level without formally committing to full “Living Wage employer status”. This could be the basis of further consultation with both the business and trades unions.

6. **RECOMMENDATION**

- Personnel Committee is invited to consider the analysis of the Living Wage for Kent County Council.

Paul Royel
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This note is an estimate of the cost to KCC of implementing the Living Wage for KCC staff.

Background

The current Living Wage is £7.45 per hour, equivalent to £14,373pa. (based on a 37 hour working week).

This is based on calculations by the Centre for Research in Social Policy for the Living Wage Foundation.

Current Situation

Non-Schools

KR2 or equivalent
513 assignments
FTE= 101

Extra Cost = £77k

Schools

KR2 or equivalent
2,636 assignments
FTE = 481

Extra Cost = £340k

Position prior to April 2013

There were 687 non-schools employees (371 FTE) are on the equivalent of an annual salary below £14,373. This excludes apprentices and trainees.

To move all these staff to the Living Wage would increase KCC's annual salary costs by £281kpa.

The table below illustrates the impact by Directorate.

<i>Living Wage - Impact of Introducing Living Wage of £7.45 per hour</i>						
Directorate	Staff	FTE	Salary Increase	NI Increase	Super Increase	Total Increase
BSS	12	7	4,620	274	410	5,304
CC	230	97	55,982	8,314	3,975	68,271
EE	79	76	71,521	11,169	7,339	90,028
ELS	216	56	35,317	4,620	799	40,736
FSC	150	82	63,196	9,604	4,250	77,050
Total Non-Schools	687	318	230,636	33,981	16,773	281,390
Schools	5,456	1,456	1,154,659	10,744	36,728	1,202,131
Total	6,143	1,774	1,385,295	44,725	53,500	1,483,521

In addition, it is estimated that just under 5,500 schools' staff (1,760 FTE) on the equivalent of an annual salary below £14,373. The cost of moving these staff would be £1,202k.

Additional Factors

There are a number of additional factors not included above. These include:

Differentials

In effect by introducing a Living Wage KCC would be paying staff whose jobs have been assessed to be a KR2 at a KR3 rate. It is possible that staff currently employed in positions assessed to be KR3 may feel that for their pay differential to be maintained, they should also receive an increase of a similar level. This could potentially cascade through all pay grades.

Agency Staff

Agency staff rates would undoubtedly also need to be increased to reflect the Living Wage Rates.

Overtime

Of the staff that were below the Living Wage threshold, (prior April 2013) 233 received overtime payments in the first half of 2012-13. Assuming a similar level of overtime in the future, moving all staff to the Living Wage would increase overtime costs by a further £14.5k.

Potential Increases to Commissioned Services

If KCC adopts the status of a Living Wage Employer, there is the expectation that this is reflected in the salaries of commissioned services. Even seeking to match and pay the Living Wage could lead to pressure for and from contractors to do the same.